



Audit & Risk Committee

Minutes

Tuesday 19 March 2024

INDEX

1. Official Opening	3
2. Attendance, Apologies and Leave of Absence Previously Approved	3
3. Public Question Time	4
4. Petitions/Deputations	4
5. Confirmation of Minutes from Previous Meeting	4
6. Announcements by the Member Presiding Without Discussion	4
7. Matters for Which the Meeting may be Closed	4
8. Disclosure of Interest	5
9. Reports to Council	6
9.1. Development Services Reports	6
9.2. Asset Services Reports	6
9.2.1. Project Management - Internal Audit Report	6
9.3. Corporate Services Reports	12
9.4. Office of the CEO Reports	12
9.5. Chief Executive Officer Reports	12
9.5.1. 2023 Compliance Audit Return	12
10. Motions of Which Previous Notice has been Given	16
11. Questions by Members Without Notice	16
12. Questions by Members of Which Due Notice has been Given	16
13. Urgent Business Approved by the Presiding Member or by Decision	16
14. Meeting Closed to the Public	16
15. Closure	16

1. Official Opening

The Presiding Member opened the meeting at 6:30pm and welcomed Councillors, Staff, Members of the Public Gallery and those watching via live stream. The Presiding Member also acknowledged the Traditional Owners of the land on which we meet the Whadjuk Noongar people.

2. Attendance, Apologies and Leave of Absence Previously Approved

Mayor

Margaret Thomas JP

Councillors

South East Ward

Geoff Stallard

South West Ward

Mary Cannon

Brooke O'Donnell (Presiding Member)

North West Ward

Lisa Cooper

Dylan O'Connor

North Ward

David Modolo

Kathy Ritchie

Members of Staff

Chief Executive Officer

Nathan Ritchie - Acting Chief Executive Officer

Executive Team

Sinead McGuire - Director Asset Services

Freya Ayliffe - A/Director Community Engagement

Gary Ticehurst - Director Corporate Services

Chris Lodge - A/Director Development Services

Management Team

Rajesh Malde - Manager Financial Services

Brett Jackson - Strategic Projects Director

Alison Egan - Manager People Services

Administration Support

Darrell Forrest - Governance Advisor

Donna McPherson - Executive Assistant to the CEO

Members of the Public 0

Members of the Press Nil.

Apologies

Cr John Giardina

Leave of Absence Previously Approved Nil.

3. Public Question Time

3.1 Nil

4. Petitions/Deputations

4.1 Nil.

5. Confirmation of Minutes from Previous Meeting

5.1 That the Minutes of the Audit & Risk Committee held on 29 August 2023, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Mayor Margaret Thomas**

Seconded: **Cr Geoff Stallard**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr Geoff Stallard, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

6. Announcements by the Member Presiding Without Discussion

6.1 Nil.

7. Matters for Which the Meeting may be Closed

7.1 Project Management - Internal Audit Report

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) – “a matter that if disclosed, could be reasonably expected to – (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government’s property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety”.

8. Disclosure of Interest

8.1. Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matter to be discussed at the meeting. (Section 5.56 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

8.2. Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

9. Reports to Council

9.1. Development Services Reports

9.2. Asset Services Reports

9.2.1. Project Management - Internal Audit Report

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous
Items

Directorate	Asset Services
Business Unit	Asset Planning & Delivery
File Reference	
Applicant	N/A
Owner	N/A

Attachments Nil

Confidential Attachments 1. Draft Internal Audit Report – Project Management Final

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) – “a matter that if disclosed, could be reasonably expected to – (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government’s property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety”.

TYPE OF REPORT

Advocacy	When Council is advocating on behalf of the community to another level of government/body/agency
ü Executive	When Council is undertaking its substantive role of direction setting and oversight (e.g. accepting tenders, adopting plans and budgets)
Information	For Council to note
Legislative	Includes adopting Local Laws, Town Planning Schemes and Policies. When Council determines a matter that directly impacts a person’s rights and interests where the principles of natural justice apply. Examples include town planning applications, building licences, other permits or licences

issued under other Legislation or matters that could be subject to appeal to the State Administrative Tribunal

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 1: Kalamunda Cares and Interacts

Objective 1.2 - To provide a safe and healthy environment for community to enjoy.

Strategy - 1.2.3 Provide high quality and accessible recreational and social spaces and facilities.

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.2 - Build an effective and efficient service based organisation.

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with details of the Internal Audit Review conducted during the past quarter.
2. The Internal Audit was completed in accordance with the provisions of the *Local Government Act 1995*, associated regulations, *Australian Accounting Standards*. The Internal Audit has identified a number of improvement opportunities which the City of Kalamunda (City) is committed to implementing.
3. It is recommended that Council receive the details of the Internal Audit Review conducted during the last quarter.

BACKGROUND

4. The City's internal audit program is undertaken by William Buck who are responsible for the delivery of the City's three-year Strategic Internal Audit Plan (the Plan) which contains a mix of compliance, financial, and performance/operational audits.
5. Since the commencement of this plan, a number of audits have been completed with details of all completed audits presented to the Audit and Risk Committee.
6. Internal Audit is a core element of the City's risk management and governance framework. The relationship between Internal Audit and the

City can be summarised using the “Three Lines of Defence model illustrated below:



7. Broadly, Internal Audit reviews are focused on:
- a) Compliance Audits: Focused primarily on the entity’s (or their suppliers’) compliance with legislation, regulations, directions, policies, plans, and procedures.
 - b) Financial Audits: Focused primarily on practices and activities relating to the accounting and reporting of financial transactions including budget commitments, approvals, and the receipt and disbursement of funds, as well as the reliability and integrity of financial information and the safeguarding of the assets.
 - c) Performance (Operational) Audits: Focused primarily on an audit of all or a part of an entity’s activities to assess the economy, efficiency and effectiveness and focuses on:
 - i) the adequacy of an internal control structure or specific internal controls to ensure due regard for economy and effectiveness;
 - ii) the extent to which resources have been managed economically and efficiently; and
 - iii) the extent to which activities have been effective in achieving organisational objectives.

DETAILS AND ANALYSIS

8. The Internal Audit Reviews undertaken during the last half of 2023/2024 have been focused on:
9. **Internal Audit Review of Project Management**
 The objective of this internal audit review was to evaluate and improve the effectiveness of controls in place to support the City of Kalamunda at all stages of the project lifecycle to promote successful project delivery.

Findings from the review will inform lessons learnt, to support better project management processes throughout their lifecycle.

10. The scope of the audit was as follows:
1. **Project Governance, Frameworks and Risk Management**
 - a) Project Management Framework methodology
 - b) Decision Making – Delegation and Decision Approval Process
 - c) Risk Management – Process for Assessing and Managing Risk
 2. **Budget Bid Development, Planning and Procurement**
 - a) Budget Bid (Business Case) – process for developing and planning a project.
 - b) Procurement - Processes for selecting external services engaged to project related activities on behalf of Council and validating they have established effective internal control processes.
 - c) Quality Management (Design approval) – Processes for Council to review and approve designs prior to construction.
 3. **Project Management Activities**
 - a) Contractual Compliance: Processes for the oversight of external service providers and their compliance with the requirements of project deeds.
 - b) Cost management – Processes for estimating and monitoring the cost of major projects including forecasting/budgeting, management of project contingencies, use of Quantity Surveyors and approval of invoice payments (including variations).
 4. **Project Management Activities**
 - a) Time management – Processes for estimating and monitoring timely delivery of major projects.
 - b) Scope management – Processes for assessing and approving significant variations to Project Bids, including compliance with Council's delegated authorities.
11. The results of the Internal Audit Review of the Project Management Audit are detailed in Confidential Attachment 1.

APPLICABLE LAW

12. *Local Government Act 1995*
Local Government (Financial Management) Regulations 1996

APPLICABLE POLICY

13. Nil.

STAKEHOLDER ENGAGEMENT

- 14. Internal Audit findings were discussed with relevant business unit managers and have been reviewed by the City’s Executive Management Team.

FINANCIAL CONSIDERATIONS

- 15. The cost of the Internal Audit program is provisioned within the City’s annual budget. Further, monitoring and review of internal controls within the Internal Audit program will reduce the risk and likely exposure of potential loss to the City.

SUSTAINABILITY

Social Implications

- 16. Nil.

Economic Implications

- 17. Nil.

Environmental Implications

- 18. Nil.

RISK MANAGEMENT

19.	Risk: Internal Audit fails to identify material non-compliance or control deficiencies.						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 2px;">Consequence</th> <th style="text-align: left; padding: 2px;">Likelihood</th> <th style="text-align: left; padding: 2px;">Rating</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">Moderate</td> <td style="padding: 2px;">Unlikely</td> <td style="padding: 2px;">Low</td> </tr> </tbody> </table>	Consequence	Likelihood	Rating	Moderate	Unlikely	Low
Consequence	Likelihood	Rating					
Moderate	Unlikely	Low					
	<p>Action/Strategy</p> <p>Internal Audit Plan developed and reviewed annually. Internal Audit working papers reviewed by External Auditors. Key controls are evaluated for the identified processes.</p>						

20.

Risk: Audit recommendations are not implemented in a timely fashion.		
Consequence	Likelihood	Rating
Moderate	Unlikely	Low
Action/Strategy		
Internal Audit Plan developed and reviewed annually. Monitoring and review of the implementation of audit recommendations and reporting to the Council.		

CONCLUSION

21. The City monitors the status of Internal Audit recommendations arising from each Internal Audit Review. Recommendations are monitored and the majority of recommendations are completed within the agreed timelines and the remaining are tracked to determine their progress.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL

That Council RECEIVE the details of the Internal Audit Review conducted during 2023/24 as presented in Confidential Attachment 1.

Moved: **Cr David Modolo**

Seconded: **Mayor Margaret Thomas**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr Geoff Stallard, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

9.3. Corporate Services Reports

No reports presented.

9.4. Office of the CEO Reports

No reports presented.

9.5. Chief Executive Officer Reports

9.5.1. 2023 Compliance Audit Return

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	43/2023
Directorate	Office of the CEO
Business Unit	Governance
File Reference	N/A
Applicant	City of Kalamunda
Owner	City of Kalamunda
Attachments	1. Compliance Audit Return 2023 [9.5.1.1 - 12 pages]

TYPE OF REPORT

Advocacy	When Council is advocating on behalf of the community to another level of government/body/agency
✓ Executive	When Council is undertaking its substantive role of direction setting and oversight (eg accepting tenders, adopting plans and budgets)
Information	For Council to note
Legislative	Includes adopting Local Laws, Town Planning Schemes and Policies. When Council determines a matter that directly impacts a person’s rights and interests where the principles of natural justice apply. Examples include town planning applications, building licences, other permits or licences issued under other Legislation or matters that could be subject to appeal to the State Administrative Tribunal

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

EXECUTIVE SUMMARY

1. The purpose of this report is to consider and adopt the 2023 Compliance Audit Return (CAR) (Attachment 1).
2. The CAR focuses on areas considered by the Department of Local Government Sport and Cultural Industries (DLGSCI) as key compliance requirements of the *Local Government Act 1995* (the Act).
3. It is recommended Council adopt the 2023 CAR.

BACKGROUND

4. The CAR in its current format has been an annual requirement for every local government in Western Australia to complete in accordance with section 7.13 (1) (i) of the Act. It is required to be submitted by 31 March each year.
5. The CAR is designed to be a tool for local government, allowing it to identify those areas where legislative requirements have not been met and then implement processes to ensure that such instances of noncompliance do not continue.

DETAILS AND ANALYSIS

6. The Terms of Reference of the Audit and Risk Committee require the Committee to review and make recommendations to Council on the completed CAR.
7. The 2023 CAR covered 11 categories and 85 questions with an additional Optional Questions category which had 9 questions.
8. Pleasingly, no issues of non-compliance were detected in completing the 2023 CAR.

APPLICABLE LAW

9. *Local Government Act 1995*

APPLICABLE POLICY

10. N/A.

STAKEHOLDER ENGAGEMENT

11. All relevant Business Units provided input to enable completion of the 2023 CAR.

12. Community consultation is not required.

FINANCIAL CONSIDERATIONS

13. None from this report.

SUSTAINABILITY

Social Implications

14. N/A.

Economic Implications

15. N/A.

Environmental Implications

16. N/A.

RISK MANAGEMENT

17.	Risk: Failures within Administration result in detection of Noncompliance.		
	Consequence	Likelihood	Rating
	Moderate	Possible	Medium
	Action/Strategy		
	Ensure improvements are introduced to eliminate non-compliance.		

CONCLUSION

18. With no instances of non-compliance identified, the City continues to maintain its high standards of compliance with respect to those areas examined by the CAR.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL

That Council ADOPT the Compliance Audit Return for the year ending 31 December 2023 (Attachment 1).

Moved: **Mayor Margaret Thomas**

Seconded: **Cr Lisa Cooper**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr Geoff Stallard, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

10. Motions of Which Previous Notice has been Given

10.1 Nil

11. Questions by Members Without Notice

11.1 Nil

12. Questions by Members of Which Due Notice has been Given

12.1 Nil

13. Urgent Business Approved by the Presiding Member or by Decision

13.1 Nil

14. Meeting Closed to the Public

14.1 That the meeting close to the public to allow discussion on confidential items.

Moved: **Cr David Modolo**

Seconded: **Cr Geoff Stallard**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr Geoff Stallard, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

The meeting was closed to the public at 6:35 and the live stream ceased.

14.2 That the meeting open to the public

Moved: **Mayor Margaret Thomas**

Seconded: **Cr Dylan O'Connor**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr Geoff Stallard, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

The meeting was reopened to the public at 6:44 and the live stream recommenced.

15. Closure

There being no further business, the Presiding Member declared the Meeting closed at 6:45pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: _____
Presiding Member

Dated this _____ day of _____ 2024.